

City of Lincoln

Flexible Spending Accounts

(FSA)

Open Enrollment

2004-05

Administered by

PayFlex Systems USA, Inc.

PO Box 3039

Omaha, Nebraska 68103-3039

Toll-free (800) 284-4885

Fax (402) 231-4310

www.mypayflex.com

YOUR PLAN YEAR

Begins November 1, 2004 and
ends October 31, 2005

Eligible expenses must be
incurred during the plan year



What's in it for you ?

Tax Savings!



- No Federal Income Tax
- No State Income Tax (most states)
- No FICA Tax
- Taxable income goes down!
- Spendable income goes up

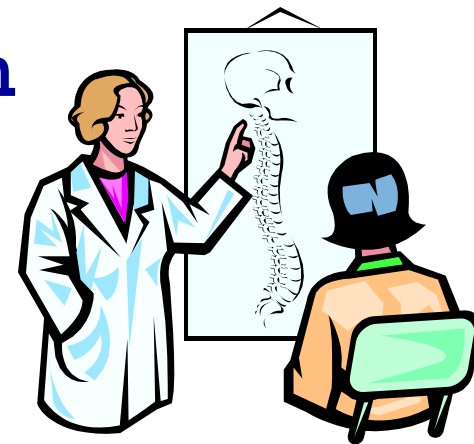
What is the value of an FSA Plan for employees? Tax Savings

<i>Example</i>	Without FSA	With FSA
Annual Income	\$30,000	\$ 30,000
Pretax Contribution	\$0	(\$3,200)
Taxable Income	\$30,000	\$26,800
Tax Rate (28%)	(\$8,400)	(\$7,504)
After-Tax Expenses	(\$3,200)	\$0
Net Income	\$18,400	\$19,296

Annual Tax Savings with FSA = \$896

What Health Expenses are eligible?

- ☑ Medical and Dental
 - Deductibles
 - Coinsurance
 - Copays
- ☑ Insulin, syringes for insulin
- ☑ Rx drug copays
- ☑ Chiropractor copays
- ☑ OTC medicines and drugs



..What Health Expenses are eligible? Continued...

- ✓ Rx eye ware, contacts lenses and their cleaning solutions



- ✓ LASIK vision correction surgery

- ✓ Hearing aids and batteries



- ✓ Dental-Orthodontist, bridges, fillings

- ✓ Specific Medical Condition Exists

- ✓ See www.mypayflex.com or call Payflex for IRS-eligible expenses

Eligible Over the Counter Drugs & Medicines

- Antacids
- Antidiarrhea
- Antifungal ointments and creams
- Antiseptic ointments and creams
- Cold remedies including sore throat sprays, lozenges, nasal sprays, cough syrups, cough drops
- Eye drops
- First aid antibiotic ointments and creams
- Gas Relief
- Hemorrhoid ointments and creams
- Laxatives
- Lice treatments
- Motion-sickness pills
- Pain Relievers including arthritis pain, back/head pain
- Sleep Aids
- Stop smoking gum s /patches
- Yeast infection products
- Vapor rubs

Ineligible Over-the-Counter Drugs and Medicines

- Antibacterial soaps
- Acne treatments
- Dandruff shampoo
- Dry skin cream s/treatments
- Footcare products
- Hair loss treatments
- Lactose intolerant supplements
- Mouthwash
- Suntan and sunscreen lotion
- Dietary Supplements or replacements
- Supplements like fiber, calcium , etc

Ineligible Health Expenses

- Cosmetic Reasons
- General Good Health
- Vitamins, Herbal and dietary supplements

DEPENDENT CARE EXPENSE SPENDING ACCOUNT

- Expenses necessary for you and, if married, your spouse to work
- Child Care or Adult Day Care Expenses
- Compare FSA Account with Tax Credit

Qualifying Childcare Providers Include:

- Private Sitter

- Licensed Day Care Provider

- An in-home provider as long as the care provider is not your child under age 19, or someone you claim as a dependent for income tax purposes

Determine Your Contribution

Determine those out-of-pocket expenses that recur every year:

- Rx Drugs, Office Visits, Co-payments, Orthodontist
- Contact Lenses & Cleaners, OTC drugs/medicines
- Childcare or Adult Daycare Expenses

Determine those out-of-pocket expenses that you are certain you will incur during this plan year:

- Major dental work: crowns, bridges, root canals
- LASIK vision correction surgery
- Prescription eyeglasses or sunglasses
- Hearing aid

Determine Your Contribution

- Only consider expenses that you know you and/or dependents will **POSITIVELY, WITHOUT A DOUBT**, incur during the plan year.
- You can't predict the future: however, many out-of-pocket expenses recur every year.
- Childcare or Adult Daycare Expenses usually can be determined very accurately.

How much can you put into the accounts?

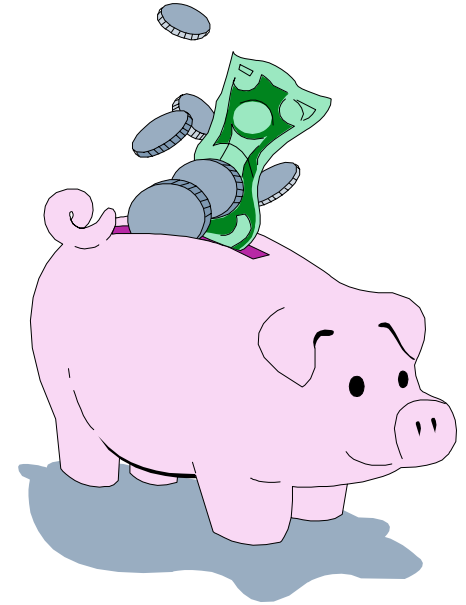
■ Health Care Spending

\$5,000.00.

■ Dependent Care Spending

\$5,000 (calendar year filing joint or head of household return)

■ NO minimum contribution. You determine the amount you wish to contribute to one, both, or none of the PayFlex spending accounts.



FLEX CONVENIENCE® CARD

WHAT IS IT?

- The Flex Convenience® Card is a MasterCard "debit card" that accesses your PayFlex spending account to pay for IRS-QUALIFIED medical and/or dependent care expenses.
- Think of it as a "pre-paid healthcare expense card."
- Use it to pay for out-of-pocket healthcare expenses, or daycare expenses, just like minutes from a "pre-paid phone card."
- Use the card until its cash balance is used up!

PayFlex Convenience® Card

Advantages :

- Convenient & Easy to Use!
- No claim form to complete!
- Dollars come out of your
PayFlex account not your pocket!
- FAST—no waiting for a
reimbursement
- Provide documentation afterwards
- Use at qualified merchants only

PayFlex Convenience® Card

Reminders :

- Only use for IRS-eligible expenses.
- Keep your eligible purchases separate from other purchases made at the same store.
- Please save your FlexCard receipts for one year. PayFlex requests documentation by mail based on IRS guidelines.
- **UNLIMITED USE!** Use your PayFlex Convenience® Card as often as you wish!
- Do not throw away your card. It does not expire for three years, and we will "recharge" it with your new PayFlex election.

FILING PAPER CLAIMS

- Complete a claim form and submit to PayFlex via mail or fax.
- Include itemized statement or an Explanation of Benefits (EOB) statement showing your out-of-pocket share.
- File paper claims as often as you wish (Remember, claims incurred during your plan year must be filed within 90 days after the end of the plan year!).
- Claims are processed weekly and can be direct deposited.

SPECIAL IRS PLAN RULES

- Once you establish your plan year contribution, you may only change it if you experience a "change in family status".
- Any amount left in your flexible spending account at the end of the plan year will be forfeited. (You may file plan year claims up to 90 days after the end of the plan year.)
- You may enroll in this flexible benefits plan only once each plan year.
- Even if you or another family member are covered under another health insurance plan, you can still participate in the PayFlex Plan.

"Word Class" Customer Service

"Delivering on the Promise"

To Make Sure You Use Your PayFlex Dollars correctly and before your plan year ends, we have introduced these customer service features:

■ Info Line -

Participants may call Toll Free 800-284-4885 to access the PayFlex Automated Info Line! Obtain account balances, talk to a claims examiner (during working hours).

■ www.mypayflex.com

This site contains access to your Account(s) as well as downloadable claim forms, direct deposit forms, FAQ's, eligible expenses and our Flex Calculator

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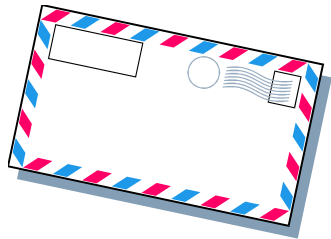
Other Services ...

- e-Notify - provide us with your e-mail address and you will receive an electronic receipt for paper claims that you submit, letting you know we have processed it. Sign up for e-Notify at www.mypayflex.com !
- Year-end notification - reminder to use your remaining account balance before the end of the plan year.

Summary Considerations

- EXPECTED EXPENSES -Do your homework!
Ask your tax advisor, co-workers, friends and relatives.
- Only consider those expenses that you know absolutely, positively, without a doubt that you will incur in the plan year!
- BE CONSERVATIVE -Remember the "Use it or Lose it" rule, but don't let it scare you! Take a close look at this valuable tax break; it could save you in federal and FICA taxes.
- Remember "The Price is Right!"

Contact us at:



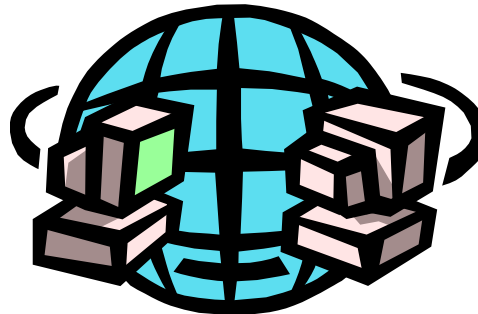
700 Blackstone Centre
PO Box 3039
Omaha, NE 68103-3039

Local: (402) 345-0666

Tollfree: (800) 284-4885

FAX: (402) 231-4310

On the web: www.mypayflex.com



?? Questions??

Thank You